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CEO/Exec. Commissioner: Mr. Hasso C. Bhatia, PhD.
Exec. Commissioner: John Obed Alilee
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January 19, 2015

The Hon. Eamon Saimon
Minister for Infrastructure and Public Utilities
PMB 9057
Port Vila
Vanuatu

UTILITIES REGULATORY AUTHORITY – 2013 ANNUAL REPORT

Dear Honorable Minister,

The Utilities Regulatory Authority is pleased to present to you its 2013 Annual Report, prepared in accordance with Part 7 of the Utilities Regulatory Authority No. 11 of 2007, and as required by section 33 of the Act.

In accordance with section 33(2) the annual report must be tabled in Parliament at the next sitting following its presentation to the Minister responsible for public utilities. Due to delays in our Audit completion we are hereby submitting our full Report for the relevant year at this time.

The 2013 Annual Report also satisfies the requirements of regulation 13 of the Financial Regulations of the Republic of Vanuatu in accordance with Part 6 of the Act.

The report outlines the major activities and accomplishments of the Authority in the regulatory arena for the year under review including continuing its advisory work in areas within and outside of utility regulation such as support of the Vanuatu Energy Road Map development, advice to the Government on relevant sector matters and educating and informing consumers of regulated utilities.

We place on record our appreciation to the Authority’s staff in delivering a comprehensive and challenging regulatory, administrative and advisory program throughout 2013 and to date.

Johnson Naviti Matarulapa Macuru
Chairperson/Commissioner

Hassan C. Bhana, PhD.
CEO/Commissioner
Summary of 2013 highlights

Pursuant to its duties, the activities of the URA can be grouped into three (3) main areas: **Regulatory activities** in the electricity and water sectors; **advisory activities** to the Government and to the public; and **internal management and capacity building activities**.

**Regulatory activities in 2013**

The major regulatory activities undertaken in 2013 include:

- The Final Decision on the Prepayment Meter system proposal for the Port Vila Concession by UNELCO;
- The Final Decision on the Luganville Water Tariff Review for the Luganville Concession operated by Public Works Department;
- Luganville Electricity Tariff Review
- Regulatory Reporting Requirement Guideline for the electricity sector;
- Facilitated resolution of dispute between UNELCO, Public Works Department and Port Vila Municipal Council regarding bridge repairs required to maintain the water source for Port Vila
- Facilitated resolution of several disputes between UNELCO and customers regarding construction projects close to the electricity network;
- Continued enforcement of penalties for electricity outages;
- Continued Public Education Program sessions through presentations, national television, national fm radios throughout Vanuatu;
- Disseminated first electricity bills comparison Report for the Pacific region;

**Advisory activities in 2013**

- Provided advice to the Government on the Sarakata Fund of 2011;
- Provided advice to the Government on the Port Vila Streetlights;
- Participated in the National Development Committee meetings;
- Provided advice to the Government on Geothermal Project and participated in trip to New Zealand as part of Government Delegation;
- Provided advice to Government and Ministers regarding a Parliamentary Bill to amend the URA Act; Amendments were enacted in October 2013(?)
- Provided advice to Port Vila Municipal Council and Shefa Provincial Council planning departments regarding safety issues concerning construction close to electricity network;
- Provided advice and suggestions on the Vanuatu Global Partnership Output Based Aid (GPOBA) World Bank project;
• Provided advice to the Government on definition of Article 6 electricity and Article 29 water and the funds purposes;
• Provided advice to the Government on the Port Vila Water Concession Contract;
• Provided advice to the Government on the National Energy Road Map for the energy sector;
• Continued to monitor Supreme Court case between the UNELCO and Republic of Vanuatu and VUI on Luganville electricity concession;
• Continued to address complaints and disputes raised by utilities consumers;
• Provided advice and clarification on amendment of the Utilities Regulatory Act No. 11 of 2007.

Internal management and capacity building activities in 2013

The major internal management and capacity building activities undertaken in 2013 include:

• Knowledge Sharing session by regulatory staff on individual projects;
• On-the-Job Training (OJT) with assistance from the Technical advisors;
• Basic regulatory training obtained from the Public Utility Research Center, FL. USA; and in Philippines.
• Joint Regulators (Telecom Regulator and Utilities Regulator) learning session on regulatory best practices;
• Power Purchase Agreement Workshop in Singapore;
• Participated in Geothermal field trip to New Zealand with Government delegation;
• Office organisation behaviour and management skills training were provided to full team by Advantage Management Consulting.

By October 2013, the new and current URA Chief Executive Officer and Commissioner Dr. Hasso C. Bhatia commenced office, after 13 months of the position remaining vacant.
1. About the Utilities Regulatory Authority

1.1 Purpose, powers and functions

The Utilities Regulatory Authority was established on 11 February 2008 under the Utilities Regulatory Authority Act No 11 of 2007 (the URA Act). The URA Act established the Authority as an independent regulator for pricing, access, safety and reliability standards and monitoring of concession agreements. The regulated services defined in the URA Act are the supply of electricity and water services.

The Authority provides continued and expanded support to the Vanuatu Government’s microeconomic reform program. This program was designed to improve the efficiency and competitiveness of Vanuatu’s economy through the reform of the electricity and water sectors.

The Government perceived the establishment of an independent utility regulatory body as necessary to ensure that the benefits of the industry restructuring and concession arrangements were passed on to all residential, commercial and industrial customers.

The primary objective of the Authority is to improve access to electricity and water services and to promote the long-term interests of Vanuatu’s consumers with regards to the price, quality and reliability of electricity and water services.

This objective is central to the framework of economic regulation that facilitates the efficiency and financial viability of regulated utilities, prevents abuse of monopoly power and ensures that customers benefit from quality improvements and efficiency gains over the longer term.

The functions of the Authority, as expressed in the URA Act under which it is constituted, are:

- to exercise the functions and powers conferred by the URA Act or by any other Act in furtherance of the purpose of the URA Act;
- to provide advice, reports and recommendations to the Government relating to utilities;
- to inform the public of matters relating to utilities;
- to assist consumers to resolve grievances;
- to investigate and act upon offences under the URA Act;
- to advise the Minister on any other matter referred to the Authority by the Minister; and
- to administer and monitor compliance of Concession Agreements under the URA Act.

In accordance with its Charter of Consultation and Regulatory Practice the Authority aims to be:

- independent, balanced and fair by ensuring its advice does not reflect undue influences and is consistent with its statutory objectives; and
- open and transparent by publishing its findings and conclusions.
In addition to these objectives and functions, the Authority has objectives and functions conferred by industry-specific legislation and agreements, which include the *Port Vila Electrical Supply* [CAP. 17], *Electricity Cable (Restriction on Passage of Vessels Thereunder)* [CAP. 27], *Electricity Supply* [CAP. 65], Concession Agreements for the Port Vila, Luganville, Tanna Island and Malekula Island, *Water Supply (Amendment) Act No. 28 of 1993*, *Water Supply* [CAP. 24] and *Regulations*, Contract for Management and Operation of the Water Supply Service in Port Vila, and *Water Resources Management Act No. 9 of 2002*.

### 1.1 Consultation and decision-making

As part of its commitment to transparency, extensive public consultation is carried out prior to implementing major regulatory decisions. This is detailed in the Authority’s *Charter for Consultation and Regulatory Practice*. A clear process is followed for each major regulatory decision and applied in the same way for each regulated industry.

The decision-making process includes staff-issued papers, preliminary Decisions, presentations in consumer public meetings and the opportunity for stakeholders to make oral and written submissions. The Authority will usually publish and circulate a Preliminary decision. The public comments and responses to the preliminary decision are reviewed and given due consideration before a final decision is made. Towards the end of 2013, the new and current CEO put in place a docketing system whereby live projects have dedicated case numbers and an assigned coordinator. These live cases are also published on the URA website.

The URA Commission meets in a formal session, usually each quarter, to consider and direct its regulatory business. Extraordinary or special meetings may be held to decide on particular cases. When a Commission meeting is held, a minute is created and approved. Where necessary, the Commission decision is confirmed by an appropriately sealed document. Where required, a decision becomes effective when it is entered in the Gazette.
1.2 The URA Commission

The Authority is structured as a three-person Commission comprising a Chairperson and two Executive Commissioners, supported by staff led by a Chief Executive Officer, who is also one of the Executive commissioners. The Commissioners are appointed by the Minister responsible for Finance & Economic Management, on the recommendation of the Evaluation Committee pursuant to an open selection process.

Chairperson:

Mr. Johnson Naviti Matarulapa Marakipule

Mr. Johnson Naviti was appointed to the role of Chairperson and Part-time Non-Executive Commissioner on the 1 October 2008. He is currently the Director General of the Prime Minister's office from his former role as head of Aid Coordination and Negotiation Unit (ACNU) of the Prime Minister's Office.

Mr. Naviti was the Program Implementation Officer for the Pacific Island Forum Secretariat based in Fiji from 2002 to 2008 and worked for the Vanuatu Government from 1996 to 2001 as Sector Analyst and then as Acting Director of the Department of Economic and Sector Development. Mr. Naviti resumed work with the Government again upon his return from Fiji in 2008 to present time.

He holds a Bachelor’s Degree in Resource and Environmental Planning from Massey University in New Zealand.

Part-time Commissioner:

Mr. Paul Kaun

Mr. Paul Kaun was appointed to the position of Part-time Executive Commissioner on 1 October 2008. Currently, Mr. Kaun is the Director of Investment Division for the Vanuatu National Provident Fund (the “VNPF”). He previously worked for the Governance for Growth Program (AusAID) as the Government Systems Advisor. He previously worked for the Reserve Bank of Vanuatu as the Manager of Domestic Money market unit and the director of Financial Markets Department.

His previous work for the Vanuatu Government was in the
Department of Economic and Sector Planning of the Ministry of Finance and Economic Management as the Principal Economist and Acting Director.

Mr. Kaun has a Master of Philosophy in Monetary Economics and Finance from the Centre of Development Studies, University of Glasgow in Scotland. He is a member of several Committees in the Government and the Reserve Bank of Vanuatu.

Mr. Kaun's term as Part-time Executive Commissioner ended on 2nd December 2013.

Chief Executive Officer/ Part-time Commissioner:

Mr. Hasso C. Bhatia, PhD.

Dr Hasso C. Bhatia was appointed as the CEO and Part-time Commissioner for the URA commencing October 2014. He joined the URA with over 30 years of experience in regulation working in the US and over 20 developing countries.

For the past 15 years Dr. Bhatia has worked in developing economies principally in the former Soviet Republics, Eastern Europe, South Asia and Middle East, in leadership positions as advisor and senior energy consultant to host governments, utilities and newly formed regulatory agencies. He was Chief of Party for USAID-sponsored regulatory development projects in Moldova, Bulgaria, Azerbaijan and Bangladesh. He has been resident energy advisor to Ministry of Energy and Water and the National Electricity Company (DABM) in Afghanistan. He has advised energy regulators in Mongolia, Indian State ERCs, and electricity utilities in Jordan. He was Team Leader for the ADB project to evaluate barriers to private Power development in Nepal and to develop mitigation strategies to Promote Private Hydro-Power Development under PPP model. Dr. Bhatia has worked closely with NARUC and ERRA to develop and conduct several training programs, conferences and workshops.

Dr. Bhatia is an American citizen of Indian origin. He holds a PhD in Mathematics from Michigan State University, an M.S degree in Mathematics and Operations Research and a B.S. degree from University of Delhi, India.
1.3 Organisation Structure

The Utilities Regulatory Authority had a total of 12 staff in 2013, whereby 7 were staff members and 4 were experts. Staff members included:

Chief Executive Officer & Commissioner – Mr. Hasso C. Bhatia, PhD.
Manager Regulation - Ms. Lizzie Marguerite Taura;
Office Manager (Administration) - Ms. Belinda Reuben;
Project Manager (Accounting) – Ms. Maureen Malas;
Manager Engineering and Consumer Division – Mr. Romney Marum;
Project Manager (Water) – Mr. Terry Mael
Office Cleaner – Ms. Hilda Siba

Technical Advisors in 2013 included:

Principal Economist – Mr. Nima Heschmat (contract ended January 2013);
Chief Economist – Mr. James Ryan;
Principal Finance Specialist – Mr. Olivier Fernandez; and
Communication Specialist – Ms. Janique Racine (contract ended June 2013)

Below chart illustrates the URA Commission and URA team structure for 2013:
The Authority’s regulatory and analytical staff were selected from candidates qualified in economics, accounting, finance, engineering, law and other disciplines. In addition to its local staff, the Authority also engaged special contractors and consultants experienced in providing analysis and advice on technical, economic, engineering and legal regulatory matters on an as-needed basis.

Unlike all other years since its establishment, in 2013 the URA experienced a number of movements in staff. In January 2013, Mr. Nima Heschmat Principal Economist’s contract ended, followed by the resignation of Mr. Terry Mael Project Manager water in February 2013 to join the Department of Energy. In June 2013, Mrs. Martha Bongmemethe URA cleaner also resigned to assume further work in Australia. In the same month, Ms. Janique Racine’s contract as URA’s Communication Specialist concluded. Mr. Paul Kaun’s role as part-time Commissioner ended in December 2013, leaving the Authority with two Commissioners.

For the first time since the URA was established, the Office was without a CEO for a year until October 2013 when after 9 months of recruitment process, the Minister of Finance appointed a new CEO upon recommendation of the Evaluation Committee. Dr. Hasso Bhatia, PhD. commenced his role as CEO and Commissioner in October 15, 2013.
2. Chairman’s statement

I am delighted to report another year of progress and achievements for the Utilities Regulatory Authority (the “Authority”) in 2013. This year 2013 has been an experience for the Commission who, after the departure of the former CEO in September 2012, have had to take a more active executive role towards the end of 3rd quarter 2013 until a new CEO, Dr. Hasso Bhatia was appointed in August 2013 (commenced Office October 2013).

Since its establishment in 2008, and as Chairman for past 5 years, I can confidently say that the Regulator’s job is not easy or popular – but it is essential. It is essential because it is an authoritative body or institution that is supposed to be independent and impartial in its design and decision making for regulating essential services in the interest of consumers and public at large. It is essential because in the business of utility operators, issues become complex and when they do, debates become more avid and risks are high. It is essential because there are market restructures and climate change which these days have become major elements of a country’s decision making. More importantly, it is essential to protect customers from monopoly players in the sector. Therefore the independence and impartiality of a regulator comes with much accountability and responsibility.

In 2013, the Authority undertook a diverse range of regulatory and advisory projects across both the electricity and water sectors in Vanuatu. In addition, the Authority participated actively in the country’s National Energy Road Map led by the Department of Energy, in the Geothermal project of Takara, Efate and in the World Bank project Global Partnership Output-Based Aid. I commend the staff of the Authority for their dedication and the commitment they have shown for the work of the Authority through the institutional and substantive knowledge they have developed thus adding value to the quality of regulation. Moreover the Authority is lucky to have continuous support by technical advisors who are essential for assisting the local staff and CEO in formulating, refining, and implementing commission decisions and orders over time. It is apparent that having staff that portray that professionalism and independence can help to mitigate regulatory politics.

In this 2013 Annual Report, you will read with interest all the activities that the Authority has had the opportunity to complete or participate in, most significantly the first ever review of Luganville Water Tariff of the state-owned Public Works Department concession. You will also come to appreciate that in 2013, the final decision on the prepayment meter was issued as it was my decision to see that the Commission focused on strategies to bring this request of 2011 to completion. In 2013 also, the Honorable Minister of Finance, Minister Maki S. Simelum appointed a new CEO and Part-time Executive Commissioner for the Authority who would lead the institution going forward in its day to day work. The new CEO comes with exceptional experience in regulation and especially has experience of the similar issues Vanuatu faces. As special mention, the Commission is proud to have and welcomes Dr. Hasso C. Bhatia, PhD to Vanuatu and in becoming part of the Authority’s family.
In addition to the Authority’s role in assisting consumers in resolving their grievances, the Authority continues to undertake campaigns on informing and educating the public and customers of electricity and water services in Vanuatu on matters relating to the utilities services.

The Authority aims to always provide an opportunity for staff in training to meet the capacity building requirements of the institution. I believe that the more training staff receive on the job and abroad with other regulatory network can serve the goal of independence. It also provides a platform for information exchanges to occur and peer-based discourse. In this dynamic environment of regulation, staff training helps to address information asymmetry favoring utilities and therefore presents an opportunity for common support for research and education while maintaining restriction and confidentiality of information.

The Authority will continue to promote good governance in the regulated sectors by observing the principles of transparency, accountability, independence, predictability of results and stakeholder involvement in its decision-making process without being indifferent. We aim to also benefit from opportunities such as sharing experience and ideas with our fellow Telecommunications and Radiocommunications Regulator team. This has been an experience also in learning about the dynamism in the work that we both undertake as respective regulators in utilities services and information and communication technology regulation.

Overall, the Authority’s final decisions and ongoing activities are always supported within “the four corners of the record” with proper consultation and due process being followed. This year in December 5, 2013 the Authority held its ‘Strategic Planning day’ to develop its strategy and work program for 2014, review work of 2013 to deliberate on challenges and achievements and continue to elaborate to the Authority staff, technical advisors and Commissioners the primary role of the Authority and importance of consultation and due process.

As ending note, I thank my fellow Commissioners and the former Part-time Executive Commissioner Mr. Paul Kaun especially for his support to my decisions in the past 5 years and special role in the Commission in the Authority’s decision making. I take this opportunity also to extend a warm welcome again to Dr. Hasso C. Bhatia to his role as CEO and have confidence that he will lead and strengthen this institution for the benefit of the people and consumers of utilities services throughout Vanuatu.

Finally, I wish to acknowledge staff and technical advisors of the Authority for their application and diligence in serving the Authority through their commitment to the 2013 work program and in forward looking.

Johnson Naviti Matarulapa MARAKIPULE
Chairperson
3. Outcomes in 2013

During its Strategic planning day in 2013, the Authority held a workshop involving URA Staff and Commissioners to develop its energy and water program for the 2014 year consistent with its overall objectives under the Utilities Regulatory Authority Act No. 11 of 2007. On this day the team also reviewed achievements and challenges of 2013 and deliberated on way forward on specific matters. As a result of the day, the following objectives and outcomes were achieved:

- Identifying the major challenges confronting the Authority in meeting its 2013 work program;
- Identifying and exploring the major issues and challenges in regulatory projects, advisory activities and in capacity building;
- Developing appropriate action plan and work program for 2014 in the order of priority bearing in mind resources and capacity/personnel.

The Authority continued its extensive consultation with the regulated business in accordance with its Charter of Consultation and Regulatory Practice and completed a range of initiatives consistent with its overall objectives of good corporate governance. During 2013, the Authority:

- Issued Final Decision on Prepayment meter for UNELCO;
- Issued Final Decision on Luganville Water Tariff Review for Public Works Department;
- Conducted in excess of 10 public forums, workshops and education programs in Port Vila, Luganville and Tanna.
- Broadcasted education programs on National Television ‘Television Blong Vanuatu’ and Radio FM stations for 6 months into the year;
- Continued to advice the Government of Vanuatu through relevant Ministries on matters relating to utilities;
- Continued to build capacity including training and development of local staff to equip them with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public;
- Continued to provide assistance to the World Bank on the Global Partnership Output Based Aid project.
The following key projects were identified for 2013 with target dates and output:

### 3.1 2013 Work Program by Industry Sector

#### ELECTRICITY SERVICES

##### Tariff Review

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price Review (Luganville)</strong></td>
<td>Review cost of electricity services and methodology for setting Luganville tariff, subject to the signing of the Luganville concession contract</td>
<td>Q4 13 – Q1 2014 (not commenced)</td>
</tr>
</tbody>
</table>

#### General Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-Paid Metering Review</strong></td>
<td>Issue a final decision on pre-paid metering usage by the regulated businesses</td>
<td>Q1 - Q3</td>
</tr>
<tr>
<td><strong>Regulatory Reporting Requirements</strong></td>
<td>Issue information requirements for the electricity businesses to submit certain financial information in compliance with the regulatory framework</td>
<td>Q1 – Q3</td>
</tr>
<tr>
<td><strong>Public Education Programs</strong></td>
<td>Continue to conduct education programs to enable customers better understand the electricity market</td>
<td>Q1 – Q4</td>
</tr>
<tr>
<td><strong>Global Program Output Based Aid (GPOBA)</strong></td>
<td>Advice and support Government on funding/subsidy Scheme to improve access to electricity services throughout Vanuatu</td>
<td>Q1 – Q4</td>
</tr>
<tr>
<td><strong>Vanuatu Energy Road map</strong></td>
<td>Advice and support Government on development of Energy Road Map</td>
<td>Q1 – Q4</td>
</tr>
<tr>
<td><strong>Vanuatu Regulatory Framework</strong></td>
<td>Review the Regulatory Framework in Vanuatu and its effectiveness</td>
<td>Q1 – Q4</td>
</tr>
</tbody>
</table>

#### WATER SERVICES

##### Tariff Review

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price Review (Luganville)</strong></td>
<td>Review and assessment of Luganville Water Tariff</td>
<td>Q1 – Q2</td>
</tr>
<tr>
<td><strong>Price Review (Port Vila)</strong></td>
<td>Review and assessment of Port Vila Water Tariff</td>
<td>Q4 not commenced</td>
</tr>
<tr>
<td><strong>Small water utilities review</strong></td>
<td>Information gathering and review of small water utilities in Vanuatu</td>
<td>Q3</td>
</tr>
</tbody>
</table>
General Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water Sector</strong></td>
<td>Advice and support Government on Water Sector in Port Vila</td>
<td>Q2</td>
</tr>
<tr>
<td><strong>Water Safety &amp; Reliability Standards</strong></td>
<td>Issue safety and reliability standards for the water sector</td>
<td>Q4</td>
</tr>
<tr>
<td><strong>Water Investment Plans and Strategies</strong></td>
<td>Evaluate and report on UNELCO’s Port Vila Investment Support Fund Network extensions in accordance with Article 29 of the Contract for the Management and Operation of the Water Supply Service in Port Vila</td>
<td>Not yet commenced</td>
</tr>
<tr>
<td><strong>Public Education Programs</strong></td>
<td>Continue to conduct education programs to enable customers better understand the water market</td>
<td>Q1 – Q4</td>
</tr>
</tbody>
</table>

**OTHER ACTIVITIES**

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>URA Audit &amp; Annual Report</strong></td>
<td>Reporting of URA 2012 operations</td>
<td>Q1</td>
</tr>
<tr>
<td><strong>URA Strategic Plan</strong></td>
<td>Update and inform stakeholders of the Authority’s achievements to date and Strategic Plan for 2012-2015</td>
<td>Q2</td>
</tr>
<tr>
<td><strong>Capacity Building</strong></td>
<td>Implement training and development plans for staff</td>
<td>Q1 – Q4</td>
</tr>
</tbody>
</table>

3.2 General Performance Review

During the year under review the Authority performed various activities as summarized below:

3.2.1 Prepayment Meter Final Decision

The Authority is responsible for approving metering apparatus for measuring and controlling energy and power to UNELCO customers.

The prepayment meter proposal by UNELCO was submitted in May 2009 for the Authority to consider and approve for use within the Port Vila concession area. After detailed review and extensive consultation program with customers and the public including deliberations between the Authority and UNELCO through its joint working group initiative, the final decision by the Authority was issued in September 2013 approving the implementation of a prepayment meter in Port Vila Concession.

In approving the meter, the Authority ensured it was subject to a set of special conditions supplementary to the customer agreement for pre-payment customers. Moreover, to ensure also that it was according to specific principles designed to ensure the proposal is in the long-term interests of consumers.
3.2.2 Luganville Water Tariff Review

The water supply service in Luganville is operated by Public Works Department (PWD), within the Ministry of Infrastructure and Public Utilities. In September 2012, the PWD had submitted a request for the Authority to review the water prices it was currently charging to customers in Luganville.

During its research, meetings, surveys, extensive consultations and deliberations the Authority also found systematic problems impacting the operations of the water service in Luganville. In its Final decision issued, the Authority approved a reasonable price for water services in Luganville to VT59/m3.

Upon issuing its Final Decision in September 2013, it was noted that the Authority will only allow the new price to be implemented if certain actions were completed by the PWD in addressing the problems the Authority had identified.

Actions that were pertinent to be completed before the new price would be implemented were:

- To change the financial and operational management structures for the Luganville water service including separation of budget, expenses and revenue from other Government activities;
- To establish an independent annual Performance Audit to review the utility’s performance against targets and budget;
- To improve information and data gathering processes;
- To define safety and reliability standards for water;
- To develop a comprehensive plan to improve the water network infrastructure in Luganville, and secure funds for such investment;
- To secure the current and any future water source against the risk of contamination; and
- To adopt clear and effective Government policy to enable the improvements to take place.

Following the publication of its Final Decision on the Luganville Water Tariff Review, the Authority will continue to monitor the delivery of the above actions.

3.2.3 Public Education Program

The Authority under the Act is assigned among other functions, the role to inform the public on matters relating to utilities that provide the regulated services. In order to do this properly, the public need to know what the Authority is all about, what role it plays and how its existence does serves the people.

In 2012, the Authority established the Public Education Program (PEP) which is a program that is developed in line with live projects. The PEP objective is to inform and educate the public on matters or topics related to the electricity and water supply services in Vanuatu, it also informs the public about the existence of a utility regulator and the functions the institution serves and how it
can assist in resolving consumers’ disputes with the utility. Since its establishment in Vanuatu in 2008, the Authority has ensured that transparency prevailed by engaging all stakeholders in the various consultation processes related to regulation of electricity and water services. Yet a lot of people were not familiar with the role of the Authority or were not aware of its existence.

The session topics are identified through enquiries raised in past consultations or as customer issues that were brought up by grieving customers. Once identified, project managers are assigned the responsibility to develop and implement a PEP session. The following were the session topics that were identified by the Authority as relevant topics for the program.

<table>
<thead>
<tr>
<th>PEP</th>
<th>Topic</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Electricity Customer Bill</td>
<td>To promote public awareness on electricity customer bills in Vanuatu</td>
</tr>
<tr>
<td>2</td>
<td>Electricity Connections</td>
<td>To raise awareness on aspects of electricity customer connections in Vanuatu</td>
</tr>
<tr>
<td>3</td>
<td>Electricity Usage</td>
<td>To inform and educate the public on how to manage their electricity consumption</td>
</tr>
<tr>
<td>4</td>
<td>URA Awareness</td>
<td>To introduce the URA, inform public on roles and responsibilities of the URA and obtain feedback on regulated services from consumers.</td>
</tr>
</tbody>
</table>

Invitation for PEP sessions were put out in the newspapers, in the URA quarterly newsletter, on national TV and radio stations and by word of mouth by staff, family and friends of staff and informants from past PEP sessions.

In 2013, there was altogether 13 PEP sessions staging the 4 topics in Port Vila, Luganville, Malekula and Tanna. There were nine (9) PEP 1 sessions staged within different organizations in Port Vila in 2013. Two (2) PEP 4 sessions in the islands and two general sessions that involved topics 1-4.

In June, a PEP session on URA Awareness was conducted on Tanna by the Principal Regulatory Finance Analyst Mr. Olivier Fernandez and feedback shows the session was run successfully. A similar session was run for four (4) days on Malekula in the communities connected within the UNELCO electricity grid at Litzlitz village, Big Tautu village, Plantation Russett Valea (PRV) and Senal, Lakatoro including a Government briefing at the Malampa Provincial Council. The sessions consisted of power point presentations, Q&A time and survey towards the end of the session and were led by the Authority’s Project Managers, Mr. Romney Marum and Ms. Maureen Malas. As the main objective of the session was to introduce the URA, the team also ensured that the consumers in these various areas understood their rights and obligations with respect to the services they were receiving for water and electricity.
During the year the authority also issued URA brochures, held national TV and radio stations time spots and issued its quarterly newsletter with the objective of keeping consumers and public at large continuing to be informed and being educated on regulation and regulated utilities services.

3.2.4 Monitoring and Compliance Activities

The Authority is empowered in Part 4 of the Act to monitor and enforce compliance with the provisions set out in Act including the concession agreements.

Monitoring and compliance activities requires the Authority to ensure the utilities comply with provisions set out in the various concession contracts including enforcement of penalties for unjustified interruptions.

The Authority issued penalty notice to UNELCO for unjustified electricity outages for each semester in 2013. Penalty notices to UNELCO are issued bi-annually after each semester. Below table shows total unplanned outages for each electricity concession during the year.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Vila</td>
<td>27</td>
<td>5</td>
</tr>
<tr>
<td>Tanna</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Malekula</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>11</td>
</tr>
</tbody>
</table>

Regulatory Reporting Requirements for Electricity Utilities

As a result of investigations, research and advanced consultation to identify the existing reporting material produced by electricity utilities the Authority has compiled evidence calling for a review of the financial and technical reporting material with the aim to improve the framework in which the data and information are collected for regulatory purposes.

The issues paper released in March 2012 pinpointed a lack of consistency and details in disaggregation, both affecting the transparency and making the accuracy harder to test and control on both technical and financial metrics.

In order to design the appropriate regulatory framework, information has to be identified, recorded, decrypted and formatted for regulatory purposes, which may differ from data collected for statutory reporting.

Towards the end of October 2012, the Authority presented its proposed approach relying on auditing best practices as detailed in its framework paper, followed by an open consultation with the main stakeholders. During this consultation, the Authority focussed on the methodology adopted to test the existing material and come up with a set of improvements and reporting principles to be disclosed in the draft decision issued by March 2013.
The final decision on the regulatory reporting requirement for electricity utilities was issued in June 2013 for implementation.

**Staffing and Institutional Capacity Building**

The Authority provides equal employment opportunity for all. It employs the candidates selected on merit and in a transparent manner to ensure that the public receives quality service. Total personnel engaged with the Authority consist of locally recruited staff and technical advisors funded through the AusAid/World Bank grant.

During the period under review, four (4) key staff consisting of two advisors and two full time staff left the Authority. The Authority also welcomed its new CEO, Dr. Hasso Bhatia who joined in October 2013.

It is the Authority’s policy to equip its staff with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public. During the period under review staff members and senior management attended various trainings. Some of which were:

- Leadership and Coaching workshop by Stapleton Solutions in Port Vila;
- Basic Training on Regulation with the Public Utility Research Center in FL, USA;
- Power Purchase Agreement Training in Singapore;
- Regulation training in Manila Philippines;
- Management and Organisational skills by Advantage Management and Consultancy
- Joint office regulatory lessons hosted by the Authority and TRR each month.

**Public Consultation**

The Authority is committed to pursuing best practice in its public consultation and decision making process. For this reason, the Authority aims to be independent, balanced and fair by ensuring its decisions and procedures do not reflect undue influences and are consistent with legislative mandate. It aims to be accessible to, and inclusive of, all interested stakeholders and seeks to encourage public participation within its reviews and decision making processes. It aims to be open and transparent by publishing its Work Program, regulatory decisions and orders on its website [www.ura.gov.vu](http://www.ura.gov.vu) explaining how it consults in each case and the reasons for its decisions.
3.3 Other Activities

URA Audit & Annual Report 2012

During the year, the Authority worked with the Office of the Vanuatu Auditor General and the World Bank in the process of selecting the appropriate audit firm to undertake its 2012 annual audit. AJC Audit firm was reappointed for a 3rd time who successfully completed the Audit by November of 2013. The Authority’s annual report was issued following completed audited report.

Amendment of the Utilities Regulatory Authority Act No. 11 of 2007 (the “Act”)

In 2013, the Authority Act was amended as passed by the Vanuatu Parliament in November 2013.

The proposed amendment drafted and issued by the Ministry of Finance for consultation through the Vanuatu Law Commission was reviewed by the Authority. Input by the Authority was to ensure that while the intention of the Government to amend the Act was achieved, the regulated electricity and water industry also had to be considered in light of the benefits the amendment was to serve and promote long-term interests of consumers throughout Vanuatu. In the review, the Authority also supported those provisions that were best facilitated directly by the Government, therefore removed from the Act, noting that it would better serve the consumers in the long run.

3.4 Corporate Services Output Report

The intended outcome of the Authority’s actions is to regulate utility services, in particular energy and water, so as to prevent misuse of market power, monitor compliance of concession agreements, ensure safe, reliable and affordable services, maximize access to regulated services and ensure that consumers benefit from regulatory-induced efficiencies.

The Authority’s budget for 2013 was prepared on an output budgeting basis in accordance with Vanuatu Government standards and World Bank requirements. The following is a brief report on output targets set for 2013:

**Workforce Data**

Total Employment as at 31 December 2013  
(By Division):

<table>
<thead>
<tr>
<th>Division</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>1</td>
</tr>
<tr>
<td>Management</td>
<td>2</td>
</tr>
<tr>
<td>Engineering and Consumer</td>
<td>1</td>
</tr>
<tr>
<td>Economic and Finance</td>
<td>1</td>
</tr>
<tr>
<td>Organisation and Operations*</td>
<td>2 (1 included in Management)</td>
</tr>
<tr>
<td>Technical advisors</td>
<td>2</td>
</tr>
</tbody>
</table>

**Total** 6

* Excluding the Commissioners (Chairman and Executive Commissioner), outsourced services and
contractors.

**Merit and Equity**

The Utilities Regulatory Authority is an equal opportunity employer and is committed to ensuring merit and equity principles are applied to all human resources policies and work practices.

**Occupational Health and Safety**

The Authority has continued to promote occupational health and safety through a range of measures through its Occupational Health Safety and Welfare Policy.

The Authority has a health and safety representative.

**Private Interest Declarations**

Declarations of private interests were completed by all relevant officers.

**Medical/Leave**

**Medical / Leave statistics**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Claims for 2013</td>
<td>18.5</td>
</tr>
</tbody>
</table>

**Employee Relations**

No employee time was lost in 2013 due to employee grievance or disputes.

**Corporate Governance**

The Utilities Regulatory Authority is committed to high standards of corporate governance in its decision-making and corporate activities.

Employees are offered salary and compensation that is commensurate with qualifications, skills and market conditions

Commissioners comprise a Chairperson, who is responsible for the oversight of the organization supporting the Authority through participation in strategic planning, management of resources, monitoring of project activity and overseeing compliance with corporate governance. The Commissioners met quarterly during 2013, meeting for the first time on the 6th of February 2013 and last in November 2013.

The Authority operates under its own Corporate Governance Statement. This statement also outlines the role of the Chairperson and Commissioners, which comprises the two-part-time Commissioners (Mr. Paul Kaun and Dr. Hasso C. Bhatia) and Chairperson (Mr. Johnson Naviti).

The role of the Commissioners is to assist the Authority in fulfilling its responsibilities in relation to the regulatory functions and activities, while identifying and minimizing if areas of significant business risks, stakeholder disputes and litigation and the monitoring of:

- Effective management of financial and budgetary processes and business risks
- Reliable management reporting
MEMORANDUM OF UNDERSTANDING

The Commissioners review and provide recommendations to the Authority on the adequacy of the processes for identifying and managing significant risks. They also provide a direct link between the Authority and the internal and external auditors, and enable any concerns of the auditors to be conveyed to the Authority independently of management.

Memoranda of Understanding

The Utilities Regulatory Authority Act No 11 of 2007 requires the Authority to enter into Memoranda of Understanding with a range of interacting Government agencies. In addition, the Authority may enter into Memoranda of Understanding with agencies with which it shares important working relationships.

The objective of a memorandum is to improve communications, encourage input into regulatory processes and avoid overlap with the other agencies.

In December 2013, a Memorandums of Understanding was signed between the Law Students Internship Program (a partnership program of the University of the South Pacific) and the Utilities Regulatory Authority on cooperation for hosting arrangements. Two interns were hosted by the Authority pursuant to the MOU.

Information & Communication Technology (ICT)

Information technology facilitates the communication and delivery of the Authority’s services to its stakeholders and the wider community. During the year continuous improvement was evident in staff in ensuring the efficient use of ICT to communicate with stakeholders effectively.

Charter of Consultation and Regulatory Practice

The Utilities Regulatory Authority Act No 11 of 2007 requires the Authority to develop and publish a Charter of Consultation and Regulatory Practice. In 2008 the first version of the Charter was produced.

The purpose of the Charter is to provide guidance on the Authority’s processes for making determinations and conducting inquiries. It outlines the Authority’s principles of consultation and outlines how external audiences are notified of inquiries, decisions and determinations.

Staff of the Authority refer to the Charter when planning price and regulatory reviews and other activities, and are guided by it in conducting public consultation and seeking comment from stakeholders. The Charter was last reviewed in 2010, although the Authority is committed to continually reviewing and updating its consultation processes to ensure they remain relevant.
Consultation Processes

The Authority encourages stakeholder participation in its regulatory activities. Following activities were consulted on and information was provided and feedback received:

- stakeholder input and comment on the draft version of the Authority’s Work Program 2013;
- consultation on Utilities Regulatory Authority Act No. 11 of 2007 amendment of 2012/2013;
- 13 public awareness and education on electricity and water concessions in Port Vila, Malekula, Tanna and Luganville;
- stakeholder consultation and comment on Luganville Water Tariff Review – Draft Decision; and
- stakeholder consultation and comment on Prepayment Meter - Draft Decision.

Input to the Authority’s work from external consultation is highly valued. Participation by stakeholders in the Authority’s processes enhances the relevance and effectiveness of the Authority’s decisions.

Communications and Publications

In 2013, the Authority published 18 media releases which involved providing information to public, announcing publication of reports and consultations such as the Regulatory Reporting Requirement draft and final decision, the Luganville water tariff review progress report, stages consultation and final decision and the Prepayment meter consultation and final decision.

During the year, monthly energy reports were issued and posted on the URA website providing readers with consumer information on components of electricity sources. A first time report on comparing electricity bills across the region was also successfully issued for readers in Vanuatu and the region.

Consultation also involved the URA Act proposed amendments as led by the Ministry of Finance and Economic Management.

Twice we issued media releases on awareness in Mele conducted with the Presbyterian Women’s Missionary Union and another a joint regulator’s session at Mele Village with the team at Telecommunications and Radiocommunications Regulator.

We also announced PEP sessions, the arrival of the new CEO as well as Memorandum of Understanding signed with the University of the South Pacific on hosting law students at the Office.

The team also worked on television and radio advertisements to accompany the PEP session on understanding one’s electricity bill and reducing one’s consumption which were broadcasted in 2013 on Television Blong Vanuatu and Radio stations as planned.

In addition to PEP sessions specific forums and briefings which included Government briefings were held to inform consumers on the Authority’s review of the Luganville water tariff review progress, prepayment meters progress and URA Act amendment.
The Authority also met regularly with government representatives and utilities staff. In 2013 one of the Commissioners joined the Government Geothermal delegation travelling to New Zealand to learn and obtain insight into Geothermal plants to generate electricity.

The bilingual website www.ura.gov.vu, which is regularly updated contains all the Authority’s decisions and publications.

**Conflict of interest**

The Authority conforms to a strict code of conduct to prevent actual or perceived conflict of interest among its management.

**Shares**

No shares of a regulated utility are held, directly or indirectly by any officer as nominee or held beneficially in the name of the Authority. No other conflict of interest issues were found during 2013.

**Research and Development**

No major research and development activities were undertaken by the Authority in 2013.

**Building Works**

The Authority does not have any buildings under its direct control and did not enter into works.
Comparative Financial Data

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VUV (M)</td>
</tr>
<tr>
<td>Operating Budget</td>
<td>21.2</td>
</tr>
<tr>
<td>Actual Operating Expenditure</td>
<td>25.9</td>
</tr>
</tbody>
</table>

Fees

No fees were issued by the Authority in 2013.
### Appendix A: Financial Statements for Year Ending 31 December 2013

**Office of the Utilities Regulatory Authority**

**FINANCIAL STATEMENTS**

PMB 9093  
Port Vila

<table>
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<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>Chief Executive Officer's report</td>
<td>30-31</td>
</tr>
<tr>
<td>Auditors’ report to members</td>
<td>32</td>
</tr>
<tr>
<td>Statement of comprehensive Income</td>
<td>33</td>
</tr>
<tr>
<td>Statement of changes in funds</td>
<td>34</td>
</tr>
<tr>
<td>Statement of financial position</td>
<td>35</td>
</tr>
<tr>
<td>Statement of cash flows</td>
<td>36</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>37 – 42</td>
</tr>
<tr>
<td>Accountants’ disclaimer</td>
<td>43</td>
</tr>
<tr>
<td>Detailed Income statement</td>
<td>44</td>
</tr>
</tbody>
</table>
UTILITIES REGULATORY AUTHORITY OF VANUATU

Report of the Chief Executive Officer
For the year ended 31 December 2013

The Chief Executive Officer (CEO) presents his report together with the audited financial statements for the year ended 31 December 2013 and the auditors’ report thereon.

CEO

The CEO of the entity at the date of this report, who served throughout the year except where otherwise indicated, is:

Date appointed

Dr. Hasso Bhatia
15/10/2013

Principal activities

The principal activities of the Utilities Regulatory Authority of Vanuatu are set out in the Utilities Regulatory Authority Act No. 11 of 2007. By 31 December 2011, the service industries regulated by the Authority were electricity and water. The primary activities include the regulation and supervision of the operation of certain utilities to provide safe, reliable, and affordable regulated services and to maximize access of regulated services throughout Vanuatu.

The primary objective of the Authority is to promote the long-term interests of Vanuatu’s consumers of electricity and water services with respect to the price, quality, safety, and reliability.

State of affairs

In the opinion of the CEO, there were no significant changes in the state of affairs of the organisation that occurred during the financial year not otherwise disclosed in this report or the financial statements. Further, it is the opinion of the CEO that there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable and that the going concern presumption is therefore appropriate.

Result

The operating deficit for the year was Vt7,775,270 (2012: Vt4,444,939).

CEO’s benefits

The CEO received salaries and benefits which were paid by the Utilities Regulatory Authority of Vanuatu under the World Bank funded project.

CEO’s interests in contracts and related party transactions

The CEO serving during the year had no interests in the activities of the Utilities Regulatory Authority of Vanuatu.

CEO’s declaration

It is the responsibility of the CEO to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the entity as at the end of the financial year and of its statement of comprehensive income, statement of cash flows and statement of changes in funds for that year. In the CEO’s opinion, the financial statements for the year ended 31 December 2013 have been drawn up so as to give a true and fair view.

The CEO confirms that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2013. The CEO also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The CEO is responsible for keeping proper accounting records and for safeguarding the assets of the entity by taking reasonable steps to prevent and detect fraud.
UTILITIES REGULATORY AUTHORITY OF VANUATU

Report of the Chief Executive Officer
For the year ended 31 December 2013 (continued)

Auditors

A resolution to re-appoint Law Partners, as auditors will be proposed at the Annual General Meeting.

For and on behalf of the Board and in accordance with a resolution of the CEO.

Dated at Port Vila, the 27th of June 2014.

[Signature]

Chief Executive Officer
Independent Auditors’ Report to the Commission of
Utilities Regulatory Authority of Vanuatu

The Auditor-General is the auditor of all public funds. The Auditor-General has appointed Law Partners as
auditor pursuant to Section 24(1) of the Expenditure Review and Audit Act [CAP 241].

We have audited the accompanying financial statements of the Utilities Regulatory Authority of Vanuatu which
comprise the statement of comprehensive income for the year ended 31 December 2013, the statement of changes
in funds, the statement of financial position and the statement of cash flows for the year then ended, and a
summary of significant accounting policies and other explanatory notes set out on pages 5 to 14.

CEO’s responsibility for the financial statements
The CEO of the entity is responsible for the preparation and fair presentation of these financial statements in
accordance with International Financial Reporting Standards. This responsibility includes: designing,
implementing and maintaining internal controls relevant to the preparation and fair presentation of financial
statements that are free from material misstatements, whether due to fraud or error; selecting and applying
appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors’ responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our
audit in accordance with International Standards on Auditing. These standards require that we comply with
relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial
statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the
financial statements. The procedures selected depend on our judgement, including the assessment of the risks of
material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,
we consider internal controls relevant to the entity’s preparation and fair presentation of the financial statements
in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing
an opinion on the effectiveness of the entity’s internal controls. An audit also includes evaluating the
appropriateness of accounting principles used and the reasonableness of accounting estimates made by
management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our
opinion.

Opinion
In our opinion, the financial statements have been prepared in accordance with the provisions of the
Utilities Regulatory Authority Act No. 11 of 2007 of the Republic of Vanuatu and give a true and fair view of the
financial position as at 31 December 2013, and of its financial performance and its cash flows for the year then
ended in accordance with International Financial Reporting Standards.

Law Partners
LAW PARTNERS
Chartered Accountants
(Qualified auditors under Section 166
of the Companies Act [CAP 191] of the
Republic of Vanuatu)

Port Vila
27 June 2014
Utilities Regulatory Authority of Vanuatu

Utilities Regulatory Authority of Vanuatu

Statement of Comprehensive Income
For the Year Ended 31 December 2013

Expressed in Vatu

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2</td>
<td>55,721,823</td>
<td>90,017,975</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>3</td>
<td>(63,497,093)</td>
<td>(94,462,914)</td>
</tr>
<tr>
<td>Operating deficit for the year</td>
<td></td>
<td>(7,775,270)</td>
<td>(4,444,939)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Utilities Regulatory Authority of Vanuatu

Utilities Regulatory Authority of Vanuatu

Statement of Changes in Funds
For the Year Ended 31 December 2013

Expressed in Vatu

<table>
<thead>
<tr>
<th></th>
<th>Accumulated Deficit</th>
<th>Accumulated Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>Restated 2012</td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>(2,747,306)</td>
<td>1,697,633</td>
</tr>
<tr>
<td>Operating deficit for the year</td>
<td>(7,775,270)</td>
<td>(4,444,939)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>(10,522,576)</td>
<td>(2,747,306)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## Utilities Regulatory Authority of Vanuatu

### Statement of Financial Position

**As at 31 December 2013**

*Expressed in VATU*

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10(a)</td>
<td>9,814,540</td>
<td>1,231,379</td>
</tr>
<tr>
<td>Receivables</td>
<td>4</td>
<td>-</td>
<td>12,923,872</td>
</tr>
<tr>
<td>Other assets</td>
<td>5</td>
<td>263,905</td>
<td>1,641,080</td>
</tr>
<tr>
<td><strong>Total current asset</strong></td>
<td></td>
<td>10,078,445</td>
<td>15,796,331</td>
</tr>
<tr>
<td><strong>Non current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>6</td>
<td>1,793,608</td>
<td>3,470,904</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>1,793,608</td>
<td>3,470,904</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>11,872,053</td>
<td>19,267,235</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables and accruals</td>
<td>7</td>
<td>9,490,282</td>
<td>13,463,893</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>8</td>
<td>9,258,254</td>
<td>4,652,025</td>
</tr>
<tr>
<td>Provisions</td>
<td>9</td>
<td>833,906</td>
<td>847,298</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>19,582,542</td>
<td>18,963,216</td>
</tr>
<tr>
<td><strong>Non current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>9</td>
<td>2,812,087</td>
<td>3,051,325</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td>2,812,087</td>
<td>3,051,325</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>22,394,629</td>
<td>22,014,541</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>(10,522,576)</td>
<td>(2,747,306)</td>
</tr>
<tr>
<td><strong>Total accumulated deficit</strong></td>
<td></td>
<td>(10,522,576)</td>
<td>(2,747,306)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.

*Chief Executive Officer*

Port Vila, 27th June 2014
# UTILITIES REGULATORY AUTHORITY OF VANUATU

## STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in Vatu

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts in the course of operations</td>
<td>73,251,924</td>
<td>81,703,466</td>
</tr>
<tr>
<td>Cash payments in the course of operations</td>
<td>(64,668,763)</td>
<td>(79,510,017)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>10(b)</td>
<td>8,583,161</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of vehicles, plant and equipment</td>
<td>-</td>
<td>(21,015)</td>
</tr>
<tr>
<td>Proceeds on sale of fixed assets</td>
<td>-</td>
<td>104,662</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>-</td>
<td>83,647</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td></td>
<td>2,277,096</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the financial year</td>
<td>1,231,379</td>
<td>(1,045,717)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the financial year</td>
<td>10(a)</td>
<td>9,814,540</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

*Expressed in Vatu*

1. **Statement of significant accounting policies**

Utilities Regulatory Authority of Vanuatu operated as an independent statutory body of the Vanuatu Government and was established on 11 February 2008.

The significant policies which have been adopted in the preparation of these financial statements are:

(a) **Statement of compliance**

The financial statements of the entity are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

(b) **Basis of preparation**

The financial statements are presented in Vanuatu currency ("Vatu"). They are prepared on a historical cost basis.

The accounting policies are consistently applied during the financial year.

(c) **Revenue recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the organisation and can be measured reliably.

Revenue includes grant income. These are recognised in the statement of comprehensive income as they are received.

(d) **Foreign currency**

**Transactions**

Foreign currency transactions are translated to Vatu at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the statement of comprehensive income in the financial period in which the exchange rates change.

(e) **Value Added Tax (VAT)**

The statement of comprehensive income is prepared so that all components are stated exclusive of VAT claimed. All items in the statement of financial position are stated net of VAT, with the exception of receivables and payables which include VAT invoiced.

(f) **Impairment**

The carrying amounts of the entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is realized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are realized in the statement of comprehensive income.

The recoverable amount of assets is the greater of their net selling price and value in use.
UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in Vatu

(g) Property, plant and equipment

Items of property, plant and equipment are stated at purchase price less accumulated depreciation. The carrying amounts of the assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower amount.

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The principal rate of depreciation is:

- Motor vehicle 20%
- Office equipment 20%
- Furniture and fittings 10%

(h) Employee entitlements

Annual leave

Annual leave is calculated on employee leave entitlements at balance date, at the current rate of remuneration.

Severance allowance

Severance allowance is calculated at the rate of one month’s salary for each year of service. It is assumed that employees will remain in the company’s employment for the years necessary to qualify for the respective entitlements.

Vanuatu National Provident Fund (VNPF)

Contributions to VNPF are charged as incurred.

(i) Payables

Payables are stated at their cost.

(j) Deferred revenue – note 8

Grants are recognised in the statement of financial position initially as deferred revenue on a cash receipts basis. Grants that are intended to compensate the entity for expenses incurred are recognised as revenue in the statement of comprehensive income on a systematic basis with the related costs for which the grants are intended to compensate.

Grants that are received for project related funding are held in deferred revenue and released to the project in accordance with a defined acquittal process.

(k) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(l) Going concern

The financial statements of the entity have been prepared on a going concern basis which assumes continuity of normal business activities, realization of assets and the settlement of liabilities in the ordinary course of business. The CEO considers the going concern principle to be applicable in the preparation of these financial statements given the entity is able to pay its debts as and when they become due and payable. The entity’s ability to continue as a going concern is dependent upon the receipt of financial support from the World Bank and the Vanuatu Government.
## UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in Vatu

<table>
<thead>
<tr>
<th>2. Revenue</th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant from Vanuatu Government</td>
<td>21,225,659</td>
<td>19,969,301</td>
</tr>
<tr>
<td>Grant from World Bank</td>
<td>34,496,164</td>
<td>69,944,012</td>
</tr>
<tr>
<td>Gain on disposal of fixed assets</td>
<td>-</td>
<td>104,662</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55,721,823</strong></td>
<td><strong>90,017,975</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Operating expenses</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>747,361</td>
<td>115,456</td>
</tr>
<tr>
<td>Auditors remuneration</td>
<td>650,000</td>
<td>775,600</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>10,565,510</td>
<td>12,926,968</td>
</tr>
<tr>
<td>VNPF contributions</td>
<td>549,899</td>
<td>583,211</td>
</tr>
<tr>
<td>Training local</td>
<td>397,583</td>
<td>1,274,448</td>
</tr>
<tr>
<td>Training international</td>
<td>5,540,399</td>
<td>6,464,873</td>
</tr>
<tr>
<td>Employee annual leave and severance</td>
<td>1,347,440</td>
<td>1,614,732</td>
</tr>
<tr>
<td>Subsistence and other allowances</td>
<td>2,145,298</td>
<td>1,519,600</td>
</tr>
<tr>
<td>Vehicle expenses</td>
<td>525,974</td>
<td>381,371</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,677,296</td>
<td>2,095,844</td>
</tr>
<tr>
<td>Office rent</td>
<td>2,793,446</td>
<td>3,393,000</td>
</tr>
<tr>
<td>Telephone and fax</td>
<td>837,519</td>
<td>1,528,388</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2,494,584</td>
<td>2,242,603</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,272,309</strong></td>
<td><strong>34,915,694</strong></td>
</tr>
</tbody>
</table>

**Consultancies and contractor wages**

| Consultants – firms paid by World Bank                                    | 1,225,672     | 5,172,650     |
| Consultants – wages paid by World Bank                                    | 31,999,112    | 53,961,333    |
| Consultants – firms and wages paid by Vanuatu Government                  | -             | 413,837       |
| **Total**                                                                 | **33,224,784**| **59,547,820**|
| **Consultancies and contractor wages total**                             | **63,497,093**| **94,462,914**|

<table>
<thead>
<tr>
<th>4. Receivables</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grant receivable from World Bank</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To URA accounts</td>
<td>-</td>
<td>4,396,894</td>
</tr>
<tr>
<td>To consultants and international suppliers</td>
<td>-</td>
<td>8,526,978</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>12,923,872</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Other assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>-</td>
<td>1,641,080</td>
</tr>
<tr>
<td>VAT receivable</td>
<td>263,905</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>263,905</strong></td>
<td><strong>1,641,080</strong></td>
</tr>
</tbody>
</table>

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# Utilities Regulatory Authority of Vanuatu

## Notes to and forming part of the financial statements for the year ended 31 December 2013

**Expressed in Vatu**

### 6. Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motor vehicle</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>3,757,322</td>
<td>3,757,322</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(3,757,322)</td>
<td>(3,381,589)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>375,733</td>
</tr>
<tr>
<td><strong>Office equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>5,209,680</td>
<td>5,209,680</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(4,789,681)</td>
<td>(3,747,745)</td>
</tr>
<tr>
<td></td>
<td>419,999</td>
<td>1,461,935</td>
</tr>
<tr>
<td><strong>Furniture and fittings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>2,596,268</td>
<td>2,596,268</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(1,222,659)</td>
<td>(963,032)</td>
</tr>
<tr>
<td></td>
<td>1,373,609</td>
<td>1,633,236</td>
</tr>
<tr>
<td><strong>Total plant and equipment</strong></td>
<td>1,793,608</td>
<td>3,470,904</td>
</tr>
</tbody>
</table>

**Movement in property, plant and equipment:**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening carrying value</td>
<td>3,470,904</td>
<td>5,545,733</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>21,015</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(1,677,296)</td>
<td>(2,093,844)</td>
</tr>
<tr>
<td>Closing carrying value</td>
<td>1,793,608</td>
<td>3,470,904</td>
</tr>
</tbody>
</table>

### 7. Payables and accruals

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>8,182,727</td>
<td>2,400,340</td>
</tr>
<tr>
<td>Accruals</td>
<td>1,307,655</td>
<td>11,063,553</td>
</tr>
<tr>
<td></td>
<td>9,490,382</td>
<td>13,463,893</td>
</tr>
</tbody>
</table>

### 8. Deferred revenue

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred grant revenue – World Bank</td>
<td>9,258,254</td>
<td>4,652,025</td>
</tr>
</tbody>
</table>

**Movement in deferred revenue**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>4,652,025</td>
<td>4,688,000</td>
</tr>
<tr>
<td>Grants received in cash</td>
<td>11,095,200</td>
<td>-</td>
</tr>
<tr>
<td>Release to income and expense account</td>
<td>(6,488,971)</td>
<td>(35,975)</td>
</tr>
<tr>
<td></td>
<td>9,258,254</td>
<td>4,652,025</td>
</tr>
</tbody>
</table>

**Trust Fund 014801**

Total funding available under this Trust Fund was USD1,500,000 dated 27th June 2013 for the period 1 November 2013 to 30 June 2015. The Trust Grant utilized for two months in 2013 was approximately USD135,000 (Vt12M). Forecast for 2014 under this grant is approximately USD967,036 (Vt87M) and for 2015 is approximately USD398,277 (Vt36M).
Utilities Regulatory Authority of Vanuatu

Utilities Regulatory Authority of Vanuatu

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in Vatu


Current
Provision for annual leave 833,906 847,298

Non current
Provision for severance pay 2,812,087 3,051,325

10. Notes to the statement of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents includes cash at bank and petty cash. Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled as follows:

URA

Cash at Bank 539,848 1,211,379
Cash on hand 16,438 20,000

556,286 1,231,379

World Bank Funded Project

Cash at Bank 9,258,254 -

9,814,540 1,231,379

(b) Reconciliation of deficit for the year to cash provided by operating activities during the year

Deficit for the year (7,775,278) (4,444,939)

Non-cash items
- Depreciation 1,577,296 2,095,864
- Profit on sale of fixed assets - - (104,662)

Net cash used in operating activities before changes in assets and liabilities (6,097,974) (2,453,757)

Changes in assets and liabilities during the financial year:
- (Decrease) / increase in payables and accruals (3,973,511) 12,863,893
- (Decrease) / increase in employee entitlements (252,630) 1,634,240
- Increase / (decrease) in deferred revenue 4,606,229 (35,975)
- Decrease / (increase) in receivables 12,923,872 (8,173,872)
- Decrease / (increase) in other assets 1,377,175 (1,641,080)

Net cash provided by operating activities 8,583,161 2,193,449

11. Employees

The number of permanent employees as at 31 December 2013 was 5 (2012: 6).
UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in Vatu

12. Contingent liabilities

The CEO is aware of no contingent liabilities at balance sheet date (2012: Nil).

13. Subsequent events

There are no events subsequent to balance sheet date which require disclosure or adjustments in the financial statements (2012: Nil).

14. Restated 2012 comparatives

In 2013, it was resolved that the Vanuatu Government grant receivable balance of Vt5,958,434 brought forward as an adjustment from 2012 was incorrect. The adjustment in 2012 was recognized as being the difference between Vanuatu Government budgeted revenue of Vt25,927,735 and actual revenue received from the Vanuatu Government of Vt19,969,301. The 2012 comparatives were restated to reflect a Vatil grant receivable amount from the Vanuatu Government.
Disclaimer

The additional financial data presented on the following page is in accordance with the books and records of the entity which have been subject to the auditing procedures applied in our statutory audit of the entity for the year ended 31 December 2013. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and no warranty of accuracy or reliability is given.

In accordance with our firm’s policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person (other than Utilities Regulatory Authority of Vanuatu) in respect of such data, including any errors or omissions therein, arising through negligence or otherwise however caused.

Law Partners
LAW PARTNERS
Chartered Accountants

24 June 2014
## UTILITIES REGULATORY AUTHORITY OF VANUATU

**INCOME AND EXPENDITURE STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

*Expressed in Vatu*

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant from Vanuatu Government</td>
<td>21,225,659</td>
<td>19,969,301</td>
</tr>
<tr>
<td>Grant from World Bank</td>
<td>34,496,164</td>
<td>69,944,012</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>55,721,823</td>
<td>89,913,313</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>10,565,510</td>
<td>12,926,968</td>
</tr>
<tr>
<td>VNPF contributions</td>
<td>549,899</td>
<td>583,211</td>
</tr>
<tr>
<td>Training local</td>
<td>397,583</td>
<td>1,274,448</td>
</tr>
<tr>
<td>Training international</td>
<td>5,540,399</td>
<td>6,464,873</td>
</tr>
<tr>
<td>Employee annual leave and severance</td>
<td>1,347,440</td>
<td>1,614,732</td>
</tr>
<tr>
<td>Subsistence and other allowances</td>
<td>2,145,298</td>
<td>1,519,000</td>
</tr>
<tr>
<td>Medical</td>
<td></td>
<td>21,881</td>
</tr>
<tr>
<td>Travel local</td>
<td>536,381</td>
<td>193,910</td>
</tr>
<tr>
<td>Travel international</td>
<td>812,573</td>
<td>935,327</td>
</tr>
<tr>
<td>Incidentally</td>
<td>166,825</td>
<td>32,430</td>
</tr>
<tr>
<td>Auditors remuneration</td>
<td>650,000</td>
<td>775,000</td>
</tr>
<tr>
<td>Consultants — firms paid by World Bank</td>
<td>31,999,112</td>
<td>54,234,229</td>
</tr>
<tr>
<td>Consultants — wages paid by World Bank</td>
<td>1,225,672</td>
<td>5,313,591</td>
</tr>
<tr>
<td>Vehicle repairs</td>
<td>52,773</td>
<td>150,985</td>
</tr>
<tr>
<td>Vehicle fuel</td>
<td>44,667</td>
<td>230,586</td>
</tr>
<tr>
<td>Vehicle rental</td>
<td>428,534</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,677,296</td>
<td>2,095,844</td>
</tr>
<tr>
<td>Rent</td>
<td>2,793,446</td>
<td>3,393,000</td>
</tr>
<tr>
<td>Telephone and fax</td>
<td>837,519</td>
<td>1,528,288</td>
</tr>
<tr>
<td>Electricity</td>
<td>78,649</td>
<td>321,556</td>
</tr>
<tr>
<td>Cleaning</td>
<td>35,015</td>
<td>300</td>
</tr>
<tr>
<td>Kitchen supplies</td>
<td>163,060</td>
<td>171,247</td>
</tr>
<tr>
<td>Stationaries</td>
<td>123,275</td>
<td>46,890</td>
</tr>
<tr>
<td>IT equipment</td>
<td>8,000</td>
<td>48,105</td>
</tr>
<tr>
<td>IT software</td>
<td>159,957</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>747,361</td>
<td>115,456</td>
</tr>
<tr>
<td>Postage</td>
<td>120,594</td>
<td>64,910</td>
</tr>
<tr>
<td>Translation</td>
<td>26,935</td>
<td></td>
</tr>
<tr>
<td>Printing</td>
<td>167,148</td>
<td>274,660</td>
</tr>
<tr>
<td>Official entertainment</td>
<td>6,667</td>
<td>112,223</td>
</tr>
<tr>
<td>Bank charges</td>
<td>20,840</td>
<td>19,164</td>
</tr>
<tr>
<td>Other expenses</td>
<td>68,665</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>63,497,693</td>
<td>94,462,914</td>
</tr>
<tr>
<td><strong>Operating deficit</strong></td>
<td>(7,775,270)</td>
<td>(4,549,601)</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of fixed assets</td>
<td>-</td>
<td>104,662</td>
</tr>
<tr>
<td><strong>Net deficit</strong></td>
<td>(7,775,270)</td>
<td>(4,444,939)</td>
</tr>
</tbody>
</table>
Appendix B: Regulatory Framework

Regulated Industries and Relevant Legislation

At 31 December 2013, the following industries were regulated industries within the ambit of the Authority by virtue of the relevant legislation specified below:

- the electricity industry – generation, transmission distribution and retailing, under the *Utilities Regulatory Authority Act No 11 of 2007*
  - UNELCO (GDF Suez) – Port Vila, Malekula and Tanna Islands
  - VUI Ltd (Pernix) - Luganville

- the water industry – prices, service standards and conditions of service for the Vanuatu water supply and sanitation industry under the *Utilities Regulatory Authority Act No 11 of 2007*
  - UNELCO (GDF Suez)- Port Vila
  - Public Works Department - Luganville, Lenakel, Lakatoro, Saratamata, Sola
  - Other water companies having a network and supplying water services throughout Vanuatu
Appendix C: Utilities Regulatory Authority Publications 2013

The majority of the Authority’s publications can be obtained from the Office of the Utilities regulatory Authority in hard copy. Publications are available on the Authority’s website:

- Work Program 2013;
- Annual Report 2012;
- Amendment of the URA Act No. 11 of 2007 (November 2013);
- First Pacific Region Electricity Bills Comparison Report;
- Regulatory Reporting Requirement
- Luganville Water Tariff Review
  - Issues Paper
  - Consultation Stage 1
  - Framework Paper
  - Tariff Application
  - Consultation Stage 2
  - Draft Decision
  - Consultation Stage 3
  - Final Decision on Luganville Water Tariff Review
- Final Decision Prepayment Meter.
  - Position Paper
  - Draft Decision
  - Revised Draft Decision
  - Final Decision on Prepayment meters
Appendix D: Legislation and Agreements

The following is a list of legislation, regulations, concession agreements and policies applying to the Authority’s responsibilities in relation to regulated industries as at 31 December 2013.

Concession Contracts and Specifications

- Convention relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila.
- Amendment No.1 to the Convention dated 15th August 1986 relating to the Concession for the generation and Public Supply of Electric Power in Port Vila.
- Amendment No.2 to the Convention dated 15th August 1986 relating to the Concession for the generation and Public Supply of Electric Power in Port Vila.
- Specifications relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila.
- Electricity Supply Act

Relevant Acts, Regulations and Orders

- Utilities Regulatory Authority Act No. 11 of 2007
- Electricity Supply Act [CAPS 65]

Utilities Regulatory Authority Policies and Procedures

- Utilities Regulatory Authority Manual of Processes and Development.
- Utilities Regulatory Authority Charter of Consultation and Regulatory Practice.
- Utilities Regulatory Authority Policies and Procedures.
- Utilities Regulatory Authority Staff Manual
- Utilities Regulatory Authority Travel Guidelines
- Utilities Regulatory Authority Finance Manual
- Utilities Regulatory Authority OHSW Policy
Appendix E: Division 2 Safety Standards, Order, Inspection and Reliability Standards Report

- Safety standards (section 14) issued in relation to safety of regulated service in 2013 – 0;
- Safety orders (section 15) issued directing any person to do or refrain from doing anything in relation to the safety of a regulated service in 2013 – 1;
- Safety inspection (section 16) of premises, plant, equipment or vehicle connected with a regulated service conducted in 2013 – 0;
- Reliability standards (section 17) issued in relation to the reliability of a regulated service in 2013 – 0;
- Commission Order issued to rescind tariff increase for Luganville Water due to non implementation of tariff conditions.
Appendix F: Division 3 – Price, Complaint Resolution and Contract Administration Report

Price

Section 18 of the *Utilities Regulatory Authority Act No 11 of 2007* empowers the Authority to determine the maximum price which may be charged in relation to any aspect of a regulated service.

Notices issued under section 18 to date - 1 (Luganville Water Show Cause Notice)

Enquiries, Complaints and Disputes

Section 19 of the *Utilities Regulatory Authority Act No 11 of 2007* empowers the Authority to assist a person to resolve any dispute with a utility in respect to a regulated service.

Further, section 20 of the *Utilities Regulatory Authority Act No 11 of 2007* assigns the Authority the rights exercisable by the Government in the contracts prescribed in Schedule 1 Part A, B and C, subject to subsection 20(2), (3) and (5).

An objective of the Authority as an independent regulatory agency is to protect the long term interests of consumers. Part of this objective involves ensuring that consumers receive the service quality they are paying for.

The utility and the consumers’ resources are not evenly matched, therefore establishing this relationship is challenging. A utility can swiftly disconnect a consumer who is in default of the service contract, usually by not being prompt in paying a utility bill, but the consumer has no comparably effective method of registering his dissatisfaction with the service received. The Authority must ensure that the consumer has the same right to a defined and measurable quality of service as the utilities have to compensation for service provided. The Authority acts as an intermediary between the consumer and the utility.

The Authority seeks to assist customers with their enquiries, complaints and disputes that they may have with the utility and intervene with the utility if the Authority feels that the consumer's rights have been infringed. Further, the Authority has responsibility to the utility as well as to the consumers.

The Authority has developed a number of internal processes and performance measures to effectively and efficiently deal with customer enquiries, complaints and disputes that customers may have with the utility.

Requests made to the Authority for assistance in dispute resolution in 2013:

- Electricity related dispute: 1
- Water related dispute: 0
Enquiries

During the year ending 31 December 2013, the Authority received a number of enquiries. The nature of the enquiries received related to electricity and water services, customer accounts, services provided and customer responsibilities in relation to electricity and water connections.

All enquiries were responded to by Authority staff with 24 hours of receipt of the customer’s enquiry.

Complaint Resolution

During the 2013 year, the Authority received a total of fourteen (14) customer complaints. The nature of the complaints received related to customer accounts for electricity and water, electricity and water connection issues and service safety and reliability.

All customer complaints received by the Authority were acted upon with 24 hours of receipt by the Authority and customer responses provided within 10 Business days.

Dispute Settlement

During the period under review, the Authority handled one customer disputes regarding the safety of the network and building constructed close to the grid.

At 31 December 2013, there were no outstanding customer disputes requiring the Authority’s Decision and Resolution.
Appendix G: Compliance Report per Concession Area

There has been no Compliance Report sought for this reporting period.
Appendix H: Part 5 Review of Certain Actions

Section 27 of the Utilities Regulatory Authority Act No 11 of 2007 allows utilities aggrieved by any action taken pursuant to Part 3 or section 37, may within 30 days; give a notice of grievance to the Authority.

Notices received for requests for internal review in 2013 – 0.

Section 28 of the Utilities Regulatory Authority Act No 11 of 2007 allows utilities aggrieved by any action taken pursuant to Part 3 or section 37, may in addition to any other rights apply to the Supreme Court for judicial review upon certain predetermined grounds.

Applications made to the Supreme Court for judicial review in 2013 – 0.

Arbitration Proceedings – Notice of Dispute issued in 2013 - 0

Utilities Regulatory Authority
Vanuatu

You can access the URA Work Programme 2014 on our website www.ura.gov.vu, or by contacting us by telephone (+678) 23335, email: breuben@ura.gov.vu or regular mail at Utilities Regulatory Authority, PMB 9093, Port Vila, Vanuatu.